

(1) in paragraph (1)—

(A) by striking “paragraph (2)” and inserting “paragraph (2)(A), or another Federal agency under paragraph (2)(B).”;

(B) by striking “and” at the end of subparagraph (C);

(C) by striking the period at the end of subparagraph (D) and inserting “; and”;

(D) by adding at the end the following new subparagraph:

“(E) implementing manufacturing processes and production strategies for utilization.”;

(2) by amending paragraph (2) to read as follows:

“(2) ASSISTANCE PROVIDERS.—

“(A) VENDOR SELECTION.—Each agency may select a vendor to assist small business concerns to meet the goals listed in paragraph (1) for a term not to exceed 3 years. Such selection shall be competitive and shall utilize merit-based criteria.

“(B) INTERAGENCY COLLABORATION.—In addition, each agency may enter into a collaborative agreement with the technical extension or assistance programs of other Federal agencies in order to provide the assistance described in paragraph (1).”;

(3) in paragraph (3)—

(A) in subparagraph (A) by striking “\$4,000” and inserting “\$5,000”;

(B) by amending subparagraph (B) to read as follows:

“(B) SECOND PHASE.—Each agency referred to in paragraph (1) may provide directly, or authorize any second phase SBIR award recipient to purchase with funds available from their SBIR awards, services described in paragraph (1), in an amount equal to not more than \$8,000 per year, per award.”;

(C) by adding at the end the following:

“(C) AUTHORITY TO OPT OUT.—The Administrator shall establish guidelines under which an award recipient eligible to receive services under subparagraph (A) may decline those services and receive instead an amount equal to not more than \$2,500, which shall be in addition to the amount of the recipient's award and which shall be used to purchase services described in paragraph (1).”.

SEC. 106. INCREASED NUMBER OF RESEARCH TOPIC SOLICITATIONS ANNUALLY AND SHORTENED PERIOD FOR FINAL DECISIONS ON APPLICATIONS.

(a) INCREASED NUMBER OF RESEARCH TOPIC SOLICITATIONS.—Section 9(g)(2) of the Small Business Act (15 U.S.C. 638(g)(2)) is amended by inserting before the semicolon at the end the following: “, but not less often than twice per year”.

(b) SHORTENED PERIOD FOR FINAL DECISIONS ON APPLICATIONS.—Section 9(g)(4) of that Act (15 U.S.C. 638(g)(4)) is amended—

(1) by inserting before the semicolon at the end the following: “: Provided, That if the agency is required by subsection (aa) to have an SBIR advisory board—”; and

(2) by adding at the end the following:

“(A) a final decision on each proposal shall be rendered not later than 90 days after the date on which the solicitation closes;

“(B) the SBIR advisory board may, on a case by case basis, extend the 90 days to 180 days; and

“(C) the SBIR advisory board shall include in each annual report to Congress under subsection (aa) a statement identifying how many times a decision was not rendered in 90 days, how many times an extension was granted, and how many times a decision was not rendered in 180 days.”.

SEC. 107. INCLUSION OF ENERGY-RELATED RESEARCH TOPICS AND RARE-DISEASE-RELATED RESEARCH TOPICS AS DESERVING “SPECIAL CONSIDERATION” AS SBIR RESEARCH TOPICS.

Section 9(g)(3) of the Small Business Act (15 U.S.C. 638(g)(3)) is amended—

(1) in the matter preceding subparagraph (A) by inserting after “critical technologies” the following: “or pressing research priorities”;

(2) at the end of subparagraph (A) by striking “or”;

(3) by adding at the end the following:

“(C) the National Academy of Sciences, in the final report issued by the ‘America’s Energy Future: Technology Opportunities, Risks, and Tradeoffs’ project, and in subsequent reports issued by the National Academy of Sciences on sustainability, energy, and alternative fuels;

“(D) the National Institutes of Health, in the annual report on the rare diseases research activities of the National Institutes of Health for fiscal year 2005, and in subsequent reports issued by the National Institutes of Health on rare diseases research activities; or”.

SEC. 108. AGENCIES SHOULD FUND VITAL R&D PROJECTS WITH THE POTENTIAL FOR COMMERCIALIZATION.

Section 9(j)(2) of the Small Business Act (15 U.S.C. 638(j)(2)), as amended by section 103, is further amended—

(1) in subparagraph (H) by striking “and” at the end;

(2) in subparagraph (I) by striking the period at the end and inserting “; and”;

(3) by adding at the end the following:

“(J) procedures to ensure that the Administrator, on an annual basis, submits to the Committee on Small Business and the Committee on Science and Technology of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a list identifying each small business concern that, for the period covered by the preceding 5 fiscal years, received 15 or more first phase SBIR awards and no second phase SBIR awards.”.

SEC. 109. FEDERAL AGENCY ENGAGEMENT WITH SBIR Awardees THAT HAVE BEEN AWARDED MULTIPLE PHASE ONE AWARDS BUT HAVE NOT BEEN AWARDED PHASE TWO AWARDS.

Section 9(j) of the Small Business Act (15 U.S.C. 638(j)) is amended by adding at the end the following:

“(4) REQUIREMENTS RELATING TO FEDERAL AGENCY ENGAGEMENT WITH CERTAIN FIRST PHASE SBIR Awardees.—The Administrator shall modify the policy directives issued pursuant to this subsection to provide for each Federal agency required by this section to conduct an SBIR program to engage with SBIR awardees that have been awarded multiple first phase SBIR awards but have not been awarded any second phase SBIR awards and to develop performance metrics to measure awardee progression in the SBIR program.”.

SEC. 110. LIMITATION ON CERTAIN AWARDS.

Section 9 of the Small Business Act (15 U.S.C. 638) is amended by adding at the end the following:

“(bb) SUBSEQUENT PHASES.—

“(1) IN GENERAL.—A small business concern which received an award from a Federal agency under this section shall be eligible to receive an award for a subsequent phase from another Federal agency, if the head of each relevant Federal agency makes a written determination that the topics of the relevant awards are the same.

“(2) CROSSOVER BETWEEN PROGRAMS.—A small business concern which received an award under this section under the SBIR program or the STTR program may, at the discretion of the granting agency, receive an award under this section for a subsequent phase in either the SBIR program or the STTR program.

“(3) PHASE II SBIR APPLICATIONS.—An agency may permit an applicant to apply directly for a Phase II award, as described in subsection (e)(4)(B), without first completing a Phase I award, as described in subsection (e)(4)(A), if the applicant can demonstrate that project feasibility was achieved without SBIR or other Federal funding.

“(4) PHASE II STTR APPLICATIONS.—An agency may permit an applicant to submit proposals for Phase II awards, as described in subsection (e)(6)(B), without first completing a Phase I

award, as described in subsection (e)(6)(A), if the applicant can demonstrate it has accomplished Phase I through cooperative research and development achieved without STTR or other Federal funding.

“(cc) WAIVER OF MINIMUM WORK REQUIREMENT.—A Federal agency making an SBIR or STTR award under this section may waive the minimum small business concern or research institution work requirements under subsection (e)(7) if the agency determines that to provide such waiver would be consistent with the purposes of this section and consistent with achieving the objectives of the award proposal.”.

SEC. 111. COMPTROLLER GENERAL AUDIT OF HOW FEDERAL AGENCIES CALCULATE EXTRAMURAL RESEARCH BUDGETS.

The Comptroller General of the United States shall carry out a detailed audit of how Federal agencies calculate extramural research budgets for purposes of calculating the size of the agencies’ Small Business Innovation Research and Small Business Technology Transfer budgets. Not later than 1 year after the date of the enactment of this Act, the Comptroller General shall submit to the Committee on Small Business and the Committee on Science and Technology of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report on the results of the audit.

TITLE II—VENTURE CAPITAL INVESTMENT STANDARDS

SEC. 201. ENSURING THAT INNOVATIVE SMALL BUSINESSES WITH SUBSTANTIAL INVESTMENT FROM VENTURE CAPITAL OPERATING COMPANIES ARE ABLE TO PARTICIPATE IN THE SBIR PROGRAM.

Section 9(e) of the Small Business Act (15 U.S.C. 638(e)) is amended by striking “and” at the end of paragraph (8), striking the period at the end of paragraph (9) and inserting “; and”, and adding at the end the following:

“(10) effective only for the SBIR and STTR programs, and notwithstanding any provision in section 3 to the contrary, the following shall apply:

“(A) A business concern that has more than 500 employees shall not qualify as a small business concern.

“(B) In determining whether a small business concern is independently owned and operated under section 3(a)(1) or meets the small business size standards instituted under section 3(a)(2), the Administrator shall not consider a business concern to be affiliated with a venture capital operating company (or with any other business that the venture capital operating company has financed) if—

“(i) the venture capital operating company does not own 50 percent or more of the business concern; and

“(ii) employees of the venture capital operating company do not constitute a majority of the board of directors of the business concern.

“(C) A business concern shall be deemed to be ‘independently owned and operated’ if—

“(i) it is owned in majority part by one or more natural persons or venture capital operating companies;

“(ii) there is no single venture capital operating company that owns 50 percent or more of the business concern; and

“(iii) there is no single venture capital operating company the employees of which constitute a majority of the board of directors of the business concern.

“(D) To be eligible to receive an award under the SBIR or STTR program, a small business concern may not have an ownership interest by more than one venture capital operating company controlled by a business with more than 500 employees, and that venture capital operating company may not own more than 10 percent of that small business concern.

“(E) The term ‘venture capital operating company’ means a business concern—